

Approved: March 25, 1997
Date

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION.

The meeting was called to order by Chairperson Audrey Langworthy at 11:00 a.m. on March 20, 1997, in Room 519--S of the Capitol.

Members present: Senator Langworthy, Senator Corbin, Senator Lee, Senator Bond, Senator Donovan, Senator Goodwin, Senator Hardenburger, Senator Karr, Senator Praeger, Senator Steffes and Senator Steineger.

Committee staff present: Tom Severn, Legislative Research Department
Chris Courtwright, Legislative Research Department
Don Hayward, Revisor of Statutes
Shirley Higgins, Secretary to the Committee

Conferees appearing before the committee: Randy Allen, Kansas Association of Counties
Willie Martin, Sedgwick County
Jim Allen, Commercial Property Association of Kansas
Hal Hudson, National Federation of Independent Business
Karen France, Kansas Association of Realtors
Shirley Sicilian, Department of Revenue

Others attending: See attached list

The minutes of the March 18 meeting were approved.

Continued hearing on: **HB 2105--Enacting the Kansas tax equity and fairness act of 1997**

Randy Allen, Kansas Association of Counties, testified in general support of **HB 2105**; however, he felt there were three areas of concern as follows: (1) Tax statement/tax information form in Section 30. He suggested the language in the bill which addresses the tax statement should revert to existing statutory language. (2) Interest rate on property tax refunds/delinquent taxes. He urged the committee to amend the bill to provide that the interest rate on delinquent taxes exceeds the interest rate on property tax refunds by at least three to four percent. (3) Sales tax exemptions for political subdivisions. He supported an amendment to allow the Secretary of Revenue to register a political subdivision, such as a county, as an agent of the Department for the purpose of issuing exemption certificates for projects of the counties or other political subdivisions. (Attachment 1)

Willie Martin, appearing on behalf of the Sedgwick County Commission, testified in support of **HB 2105** with two further amendments. The first suggested amendment provides that counties and other governmental entities would not be required to apply to the Department of Revenue for a sales tax exemption certificate on every project but instead receive a blanket sales tax exemption certificate. The second suggested amendment concerns the section of the bill which addresses the payment of interest on refunded property taxes. Ms. Martin strongly recommended the substitution of the provisions in **SB 6**. Ms. Martin called attention to attachments to her testimony with the suggested language which was drafted by the Department of Revenue. (Attachment 2)

Jim Allen, Commercial Property Association of Kansas, testified in support of **HB 2105**, specifically, Section 29 which allows interest to be paid on refunds of overpaid property taxes. To be fair to taxpayers who file appeals to dispute valuations, Mr. Allen contended that any refunds should include interest from the date the taxpayer paid to the date of the final decision by the Board of Tax Appeals or the court system. He believed that interest on property tax refunds would force county assessors to be more diligent in the assessed valuation process, and it would help speed up the appeals process. (Attachment 3)

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ASSESSMENT AND TAXATION, Room 519-S
Statehouse, at 11:00 a.m. on March 20, 1997.

Hal Hudson, National Federation of Independent Business, testified in support of some of the provisions of **HB 2105**. He concentrated his comments on Section 19, amended into the bill by the House. He explained that, under current law, retailers, particularly small business owners, are burdened with keeping track of a myriad of sales tax exemptions. He distributed copies of K.S.A. 79-3606, which lists sales exemptions, to illustrate his point. Mr. Hudson believed that the "good faith" provision in Section 19 is an excellent solution to the problem. Furthermore, it puts the burden of enforcement back on the Department of Revenue, whose duty is to collect taxes due the state. (Attachment 4)

In response to Mr. Hudson's testimony, Senator Langworthy commented that Section 19 is so wide open that it invites abuse by taxpayers. She felt that retailers should have some responsibility in this area.

Senator Langworthy called the committee's attention to written testimony submitted by Chris McKenzie, League of Kansas Municipalities, in support of Sections 36 and 37 as amended and in support of the alternative language proposed by Sedgwick County. (Attachment 5)

Karen France, Kansas Association of Realtors, testified in support of Section 30 in **HB 2105**. Section 30 requires that property tax information forms mailed to each taxpayer reflect the percentage change in tax dollars a taxpayer is paying to each taxing unit compared to the previous year. Ms. France believed this information would help taxpayers know exactly where to place credit or blame when they get their tax bill, therefore, allowing them to communicate with the appropriate taxing entity accordingly. (Attachment 6)

Senator Langworthy announced that the hearing on **HB 2105** was continued until Tuesday, March 25, and that a subcommittee on **HB 2105** will meet on Monday, March 24, at 11:00 a.m. in Room 519-S. Subcommittee members are: Senators Langworthy, Corbin, Lee, Goodwin and Praeger.

Shirley Sicilian, Kansas Department of Revenue, reviewed the fiscal note on **HB 2105**. Ms. Sicilian referred to the fiscal note as included in the supplemental note on the bill, noting that the Department had revised the last fiscal note issued by the Division of the Budget on February 17. She limited her comments to the controversial sections of the bill--Sections 17, 19 and 32.

Ms. Sicilian estimated that the retroactive application of Section 17 would reduce corporation income tax receipts by \$5.9 million over a three-year period--\$2.0 million in FY 1998; \$2.0 million in FY 1999; and \$1.9 million in FY 2000. She noted that these amounts were not taken into consideration in the Governor's budget.

The changes in the "good faith" presumption language (Section 19) could reduce State General Fund receipts by an additional \$13.0 million annually. Ms. Sicilian said the \$13.0 million estimate was based on the high probability that there could be a reduction to the State General Fund because there is a question about the Department's ability to enforce the use of sales tax certificates. She explained, with the knowledge that the sales tax brings in \$1.3 billion yearly, and assuming that 1 percent of that amount would be lost, the loss equals \$13.0 million.

The sales tax audit reform provision (Section 32) could reduce receipts by an additional \$7.65 million annually. As amended by the House, **HB 2105** would have a total fiscal impact of \$22.5 million.

Senator Langworthy announced that there will be a subcommittee meeting on **HB2082**, concerning insurance premium tax reduction, on March 21 at 11:00 a.m. in Room 519-S.

The meeting was adjourned at 12:07 p.m.

The next meeting is scheduled for March 25, 1997.

SENATE ASSESSMENT & TAXATION COMMITTEE
GUEST LIST

DATE: March 20, 1997

NAME	REPRESENTING
JOHN LAFAVETZ	KDOR
ARIKA ALDRICH	RCIL
Roger Morris	RCIL
Becky Barter	RCIL
Jennifer Henzley	RCIL
Tamm Thornburgh	RCIL
DARREN MUCI	SEDGWICK COUNTY, KANSAS
Becky Swanwick	League of KS Municipalities
R. Clements	KAC
W. Martin	Sedgwick County
Randy Allen	KAC
Dave Abraham	Urban Renewal
Alan Steppat	Pete McGinnis & Associates
JASON P. BENDER	BRAD SMOOT
Tom Bell	Ks. Hosp. Assn.
Ashley Sheppard	Owensland Park Chamber
Gene Grabel	Paul Scotts
Janah Davis	" "

TESTIMONY
concerning HB 2105
Senate Assessment and Taxation Committee
Presented by Randy Allen,
Executive Director, Kansas Association of Counties
March 19, 1997

Thank you for the opportunity to provide comments on HB 2105 on behalf of the Kansas Association of Counties. For the most part, the Kansas Association of Counties supports HB 2105. There are a few areas of concern, however, as identified below:

1. ***Tax Statement/Tax Information Form (Section 30, pages 30-32):*** As originally proposed, HB 2105 would have required a significant amount of new information to be included on the tax statement. The newly-required information would allow a taxpayer to compare assessed valuations and mill levies for the current and preceding years as well as the percentage change in the amount of revenue produced from each respective tax levy from the previous year to the current year. When the bill was under consideration in the House, our Association urged that the information required on the "tax statement" and "tax information form" be kept separate in the statute, to give counties some flexibility in complying with this additional requirement while conforming to the intention of its proponents.

HB 2105, as amended, provides that the "tax information form" be mailed to the taxpayer. However, the bill currently requires that the tax statement "be mailed to the last known address of the taxpayer and to a designee authorized by the taxpayer to accept the tax statement, if the designee has an interest in receiving the statement." (page 31; lines 26-29). We believe that, with the requirement for the tax information form in HB 2105, the language in the bill which addresses the tax statement should ~~revert~~ to existing statutory language. The existing language requires the tax statement ~~to~~ be mailed to the last known address of the taxpayer or to the taxpayer's designee.

If the taxpayer receives the tax information form, he/she has all of the pertinent information concerning his/her taxes. If a mortgage company is paying the taxes in behalf of the taxpayer, for example, there is no need to send the tax statement to the taxpayer as well as sending it to the mortgage company. We suggest this slight modification because it will save taxpayers printing and mailing costs without sacrificing the basic intention of HB 2105.

2. ***Interest Rate on Property Tax Refunds/Delinquent Taxes:*** The Association earlier testified at a hearing on Senate Bill No. 6, which also addresses the interest rate on property tax refunds and delinquent taxes. As I understand HB 2105, the interest rate on property tax refunds as well as delinquent property taxes would be identical, and established at the federal underpayment rate minus three percent (or 6%, currently).

Interest is not currently paid on property tax refunds. For delinquent property taxes, this newly defined rate would replace the statutory 12% interest rate. If it is the Legislature's policy decision to pay interest on property tax refunds, and if it is the Legislature's further desire that the interest rate for property tax refunds and delinquent taxes float up and down with the general economy, I strongly recommend that the interest rate for delinquent taxes exceed the interest rate for property tax refunds by three to four percent. Otherwise, the counties will become financial institutions, with some taxpayers choosing to defer payment of their property taxes in the absence of any incentive to pay their property taxes on a timely basis. This would have the ultimate effect of increasing taxes on the remaining taxpayers who pay their property taxes on time.

*Senate Assessment + Taxation
3-20-97
Attachment 1*

Annually, counties already levy taxes to finance what would otherwise be a shortfall stemming from delinquent property taxes. Adding to this burden is not fair to the majority of taxpayers who pay their property taxes on time. I respectfully urge this committee to amend HB 2105 to provide that the interest rate on delinquent taxes exceeds the interest rate on property tax refunds by at least three to four percent.

3. *Sales Tax Exemptions for Political Subdivisions (Pages 39-40):*

It is my understanding that representatives from Sedgwick County government have had several recent discussions with staff in the Department of Revenue to streamline the process by which sales tax exemptions are granted and recorded when contractors are working in behalf of our counties and other political subdivisions. Our Association would support X statutory language which would allow the Secretary of Revenue or his/her designee to register a political subdivision, such as a county, as an agent of the Department for the purpose of issuing exemption certificates for projects of the counties or other political subdivisions, based on rules and regulations establishing the conditions and standards for such exemptions. This would mitigate the need for counties to apply for exemption certificates for every project for which they believe a certificate is required.

If you have questions concerning my testimony, I would be happy to address them.

The Kansas Association of Counties, an instrumentality of member Counties under K.S.A. 19-2690, provides legislative representation, Educational and technical services and a wide range of informational Services to its member counties. Inquiries concerning this testimony Should be directed to the KAC by calling (913) 233-2271.



SEDGWICK COUNTY, KANSAS

INTERGOVERNMENTAL RELATIONS

WILLIE MARTIN

COUNTY COURTHOUSE • 525 N. MAIN • SUITE 315 • WICHITA, KANSAS 67203 • TELEPHONE (316) 383-7552

TO: Senate Assessment and Taxation Committee
FROM: Willie Martin, Director of Intergovernmental Relations
DATE: March 19, 1997
RE: House Bill 2105

Madam Chair and members of the Committee I am Willie Martin, appearing today on behalf of the Board of County Commissioners. We appreciate the opportunity to testify on House Bill 2105. I would first, like to comment specifically on the issue of sales tax exemption certificates.

For more than a year, Sedgwick County has worked with the Kansas Department of Revenue to try and streamline the application process for sales tax exemption certificates. The current requirements are time consuming and costly for our county, the State and governmental entities throughout the state.

Currently, Kansas Law states that when a governmental entity contracts with a vendor, the county must first obtain a sales tax exemption certificate from the Department of Revenue. Projects include the sale of tangible property or services purchased by a contractor for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities. Although these projects are exempt from sales tax pursuant to K.S.A. 1996 Supp. 79-3606, if the sales tax exemption certificate is not obtained before the work is started, vendors must pay sales tax.

For years, Sedgwick County had been issuing a "blanket sales tax exemption certificate" to vendors believing it would exempt their purchases from sales tax. In 1994, two of our vendors were audited and required to pay sales tax because they did not have a specific exemption certificate for the specific projects. Since 1994, we have been applying for exemption certificates for every project for which we believed a certificate was required.

*Senate Assessment + Taxation
3-20-97
Attachment 2*

Sedgwick County surveyed counties, cities and school districts statewide to determine how they were affected by these application requirements. Many were experiencing similar problems and some were paying the sales tax as a simpler, quicker option.

Sedgwick County, in cooperation with the Department of Revenue, requests your consideration of an amendment whereby counties and other governmental entities would not be required to apply to the Department of Revenue for a sales tax exemption certificate on every project. Instead, these governmental entities would receive a blanket sales tax exemption certificate. Acting as the Department's designee, the governmental entity would issue exemption certificates to its vendors for its projects. The political subdivision would attach a suffix number for each project and those would be reported to the director of taxation. This amendment would eliminate a costly, time consuming process and streamline the issuance of the certificates protecting the vendor, the governmental entity, the taxpayers and the State.

We respectfully request your consideration and support of this proposed amendment.

Regarding the section of House Bill 2105 which addresses the payment of interest on refunded property taxes, we strongly urge substitution of the provisions in Senate Bill 67. We believe the thoughtful consideration and work Senate Bill 67 received from this Committee provides a process which is eminently better than the provisions currently contained in House Bill 2105.

Again, your thoughtful consideration of this suggestion is respectfully requested.

Amendments to House Bill No. 2105

Amend House Bill No. 2105 by substituting this section at page 38, line 30.

(d) all sales of tangible personal property or services purchased by a contractor for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any public or private nonprofit hospital, public or private elementary or secondary school or a public or private nonprofit educational institution, which would be exempt from taxation under the provisions of this act if purchased directly by such hospital, school or educational institution; and all sales of tangible personal property or services purchased by a contractor for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any political subdivision of the state, the total cost of which is paid from funds of such political subdivision and which would be exempt from taxation under the provisions of this act if purchased directly by such political subdivision. Nothing in this subsection or in the provisions of K.S.A. 12-3418 and amendments thereto, shall be deemed to exempt the purchase of any construction machinery, equipment or tools used in the constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any political subdivision of the state. As used in this subsection, K.S.A. 12-3418 and 79-3640, and amendments thereto, "funds of a political subdivision" shall mean general tax revenues, the proceeds of any bonds and gifts or grants-in-aid. Gifts shall not mean funds used for the purpose of constructing, equipping, reconstructing, repairing, enlarging, furnishing or remodeling facilities which are to be leased to the donor. When any political subdivision of the state, public or private nonprofit hospital, public or private elementary or secondary school or public or private nonprofit educational institution shall contract for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities, *and the total cost of such services and materials for the project which is the subject of a contract is in excess of \$10,000*, it shall obtain from the state secretary of revenue or the secretary's designee and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificate to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to the political subdivision, hospital, school or educational institution concerned a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. *For any such project having a total cost of \$10,000 or less, the contracting entity shall not be required to obtain a project exemption certificate. For projects having a total cost of \$10,000 or less, the contracting entity shall instead be entitled to a sales tax exemption in accordance with this subsection upon presenting the contractor with a blanket exemption certificate.* All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. If any materials purchased under such a certificate are found not to have been incorporated in the building or other project or not to have been returned for credit or the sales or compensating tax otherwise imposed upon such materials which will not be so incorporated in the building or other project reported and paid by such contractor to the director of taxation not later than the 20th day of the month following the close of the month in which it shall be determined that such materials will not be used for the purpose for which such certificate was issued, the political subdivision, hospital, school or educational institution concerned shall be liable for tax on all materials

purchased for the project, and upon payment thereof it may recover the same from the contractor together with reasonable attorney fees. Any contractor or any agent, employee or subcontractor thereof, who shall use or otherwise dispose of any materials purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise imposed upon such materials, shall be guilty of a misdemeanor and, upon conviction therefor, shall be subject to the penalties provided for in subsection (g) of K.S.A. 79-3615, and amendments thereto;

(e) all sales of tangible personal property or services purchased by a contractor for the erection, repair or enlargement of buildings or other projects for the government of the United States, its agencies or instrumentalities, which would be exempt from taxation if purchased directly by the government of the United States, its agencies or instrumentalities. When the government of the United States, its agencies or instrumentalities shall contract for the erection, repair, or enlargement of any building or other project, and the total cost of such services and materials for the project which is the subject of a contract is in excess of \$10,000, it shall obtain from the state secretary of revenue or the secretary's designee and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificates to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to the government of the United States, its agencies or instrumentalities concerned a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. *For any such project having a total cost of \$10,000 or less, the contracting entity shall not be required to obtain a project exemption certificate. For projects having a total cost of \$10,000 or less, the contracting entity shall instead be entitled to a sales tax exemption in accordance with this subsection upon presenting the contractor with a blanket exemption certificate.* All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. Any contractor or any agent, employee or subcontractor thereof, who shall use or otherwise dispose of any materials purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise imposed upon such materials, shall be guilty of a misdemeanor and, upon conviction therefor, shall be subject to the penalties provided for in subsection (g) of K.S.A. 79-3615 and amendments thereto;

New Sec. 2. (a) Upon application therefor, the secretary of revenue or the secretary's designee shall issue a blanket sales tax exemption certificate to a political subdivision of the state. Any contractor, subcontractor or repair person may purchase material or service, or any combination thereof, for use in a qualifying contract the total cost of which is \$10,000 or less and may use such blanket certificate number when making purchases from suppliers under such contract.

(b) The political subdivision shall attach a suffix number to the blanket certificate for each project of \$10,000 or less as such project are authorized. Such suffix number shall be reported to the director of taxation by the political subdivision.

(c) The secretary of revenue or the secretary's designee may, upon proper showing, register a political subdivision of the state as the secretary's agent for the limited purpose of issuing exemption certificates for projects of the political subdivision as provided for in K.S.A. 79-

3606(d). The secretary shall adopt rules and regulations that establish conditions and standards for granting and maintaining the agency relationship.

CPAK
Commercial Property
Association of Kansas
820 SE Quincy, Suite 220 - C
Topeka, KS 66612
Phone: (913) 232-0486

To: Senate Committee on Assessment and Taxation
From: Jim Allen
Re: Testimony for Interest on Property Tax Refunds
Date: 3-18-97

Madame Chair and members of the committee, my name is Jim Allen. I represent the Commercial Property Association of Kansas. I came today to urge you to pass H.B. 2105, specifically, section 29 of the bill. Section 29 allows interest to be paid on refunds of overpaid property taxes.

Due to the wide variation in county assessors' valuations of Kansas properties, more and more property owners are filing appeals through BOTAs and district courts to dispute the high valuations. Property owners are forced to file these appeals because property taxes in Kansas have become one of the highest costs of conducting business in the state.

When a property owner disagrees with an assessed valuation, that person has the right to file a protest and appeal. The problem of the appeal process is the length of time it takes to receive a final decision. This process takes months or even years. Even though there is a protest or an appeal in process, the property owner is required to pay the tax (under protest).

As an example, I submit the situation of one CPAK member. For the tax year 1992, the county assessed valuation was about \$47 million. The member appealed and thought it should be in the \$37 million range. In the BOTAs hearing, the county came up with a new higher valuation of \$72 million. The member filed an appeal through the district court and received a ruling that referred the case back to BOTAs. The problem is that it took four years to receive a decision that may not be final if the county decides to appeal to a higher court.

In the mean time, the county has had the property tax payments for nearly four years. The county has had this money available to either spend or to draw interest for four years. To be fair to property owners, any refunds should include interest from the date the taxpayer paid to the date of the final decision by BOTAs or the court system. The property owner is being penalized for an incorrect valuation by the county and property owners do not have access to their own money.

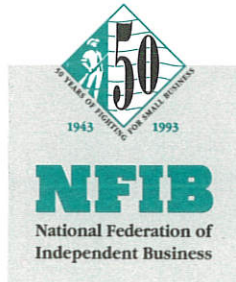
Interest on property tax refunds would be beneficial in two ways. One, it would force the county assessor to be more diligent in his assessed valuation process if the assessor knew the county would be required to pay interest on all refunded property taxes. And two, it would help speed up the appeals process

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if the county had to pay interest for a long period of time. Two counties have taken positive steps to improve the current situation. Shawnee County has already begun paying interest on property tax refunds. Sedgwick County is presently considering a similar proposal. Counties may do this by home rule.

Thank you for your time and consideration this morning.

LEGISLATIVE



The Voice of Small Business

TESTIMONY

**Testimony of Hal Hudson, State Director
Kansas Chapter of the National Federation of Independent Business
Before the Kansas Senate Assessment and Taxation Committee
On House Bill 2105
March 15, 1997
19,**

Madame Chairwoman and members of the committee: Thank you for allowing me to testify today in support of some of the provisions of H.B. 2105.

My name is Hal Hudson, and I am State Director for the Kansas Chapter of the National Federation of Independent Business. Our members are small and independent business owners, representing a broad spectrum of types of businesses, with one thing in common. They are small.

H.B. 2105, like another bill you considered this week, can be likened to an omnibus bill. Others have, or will, address various parts of H.B. 2105. I would like to direct your attention to Section 19, which may be one of the more contentious sections.

Subject to penalty, retailers are required to collect and remit to the state the tax on sales, as prescribed by law. Therein lies the problem. If retailers could simply collect and remit the tax on all sales, there would be no need for Section 19.

Through the years, the Legislature has granted a myriad of exemptions. Exemptions to certain groups by class, type, or category. Exemptions for certain types of products or services. Exemptions for items with a particular use. Under current practice, a retailer is supposed to keep track of all these "legal" exemptions, and make a judgment call on every purchaser who claims to have an exemption -- for whatever reason.

The Legislature, in collaboration with the Department of Revenue, has placed the small retail vendor in an untenable position with respect to exemptions and exemption certificates. A buyer may have an authorized exemption by class, type, or category, but not be exempt on the purchase of certain products or services.

Why should the retailer be expected to know and to police every purchase, or be held

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responsible for failure to collect the tax when an erroneous exemption is claimed by the buyer?

Please allow me to cite just one example of how this exemption certificate business can play out. This is a true story involving an NFIB member. A customer claimed an agricultural exemption, so no sales tax was collected on services provided by the vendor over an extended period. During an audit by the Department of Revenue the exemption was declared invalid for the services rendered, and the vendor was held liable for the tax he had failed to collect, because he believed the customer had a valid exemption. The Department official acknowledged that the buyer was entitled to sales tax exemption -- but not on the services provided by our member. Enough time had elapsed that the tax due was a sizable amount.

The Department may be correctly enforcing current law. But it is not right. It is not fair, and that's why we need Section 19.

We understand that some agreement had been reached by several parties, prior to introduction of this bill. NFIB was not a party to any such discussion. Therefore, we are not breaking any prior agreement when we say that Section 19 is an excellent solution to the problem. The language is simple and straightforward. It says: **(a) A vendor shall be presumed to have accepted an exemption certificate or affidavit in good faith.** Then it lists the three conditions for the vendor to meet to prevent the presumption from being overcome.

And, most important, it puts the burden of enforcement back on the Department of Revenue, whose duty it should be to collect taxes due the State. We understand a substantial fiscal note has been attributed to this provision. We would suggest that the Department should be able to avoid such costs through proper administration of the exemption certificate procedure.

We hope you will be able to sort out the many provisions of this bill which will improve the fairness and equity of Kansas tax law. Most important to small retailers is the relief from having to be a sales tax "cop." Please keep Section 19 as enacted by the House.

Thank you.



**League of
Kansas
Municipalities**

**Legal Department
300 S.W. 8th
Topeka, Kansas 66603
Phone: (913) 354-9565/ Fax: (913) 354-4186**

To: Senate Assessment and Taxation Committee

From: Chris McKenzie, Executive Director

Date: March 19, 1997

Subject: Support for the Sales Tax Exemption Certificate Portion of HB 2105

On behalf of the League, I am writing to express our support of two proposals which would simplify and streamline the process of providing sales tax exemptions to vendors doing projects for local governments. The first proposal, contained in Sections 36 and 37 of the bill as amended, would allow cities in Kansas to obtain blanket sales tax exemption certificates from the department of revenue. The blanket certificate could be used in any qualifying contract with a total cost of \$10,000 or less. Alternatively, a proposal suggested by Sedgwick County would permit the secretary of revenue to designate political subdivisions of the state as the secretary's agent for the purpose of issuing exemption certificates for projects of the political subdivision.

Under current law, cities must obtain project exemption certificates from the state for every qualifying contract regardless of the total cost. Sections 36 and 37 of the bill as amended would simplify the process by allowing projects with a total cost of \$10,000 or less to go forward without requiring the city to jump through the additional hoop of applying for and obtaining a project exemption certificate from the state. Rather, the city could simply attach a suffix number to the blanket exemption number for each project of \$10,000 or less as the projects are authorized, and the project could immediately go forward.

The League is also supportive of the alternative language proposed by Sedgwick County which would permit political subdivisions of the state to be registered as agents of the secretary of revenue for the purpose of issuing exemption certificates for projects of the political subdivision. The political subdivision so designated would perform all of the steps for issuing exemption certificates pursuant to 79-3606(d) that the secretary of revenue is charged with under current law.

Each of these proposals offer commonsense methods of simplifying the sales tax exemption process for cities. The League would sincerely appreciate the committee's favorable consideration of these proposals. If you have any questions or if I can provide you with any additional information on this matter, please do not hesitate to contact me. Thank you for your consideration.

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Attachment 5



Kansas Association of REALTORS®

3644 S.W. BURLINGAME ROAD • TOPEKA, KANSAS 66611-2098
TELEPHONE 913/267-3610 • 1-800-366-0069
FAX 913/267-1867



TO: SENATE ASSESSMENT AND TAXATION COMMITTEE
FROM: KAREN FRANCE, DIRECTOR OF GOVERNMENTAL AFFAIRS
DATE: MARCH 19, 1997
SUBJECT: HB 2105, THE KANSAS TAX EQUITY AND FAIRNESS ACT OF 1997

Thank you for the opportunity to testify. You will hear from many conferees regarding various sections of the bill. On behalf of the Kansas Association of REALTORS® I appear today in support of a particular concept in the bill, in Section 30 on page 31.

This section requires that property tax information forms be mailed to each taxpayer and reflect not just a breakdown of how much property tax is being paid to each taxing unit, but it would require that the statement reflect the percentage change in tax dollars a taxpayer is paying to each taxing unit compared to the previous year.

This is information would be of tremendous value to taxpayers so they can see which of the units of government, if any, are actually increasing the amount of the dollars the taxpayer must pay. This prevents the various taxing entities from hiding behind announcements they are not increasing the mill levy, but actually collect more tax dollars because of increased valuations. It also lets the taxing units who actually do reduce their mill levy in light of increased valuation to let the taxpayers know they have done so. It could be made more clear by requiring the statement to reflect the actual dollars paid to each entity in the current year as well as the previous year, rather than just the percentage of change in dollars collected. However, this information in itself is a great step.

This is a concept we have been talking about for many years and are glad to see it put into legislation. We believe this will help taxpayers know exactly where to place credit or blame when they get their tax bill and can communicate with the appropriate taxing entity accordingly.

Thank you for the opportunity to testify. I will be happy to answer any questions you might have.

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Attachment 6